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C O N F I D E N T I A L SECTION 01 OF 04 TAIPEI 002477

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SUBJECT: TAIWAN'S FOREIGN POLICY ALIENATING SOUTHEAST ASIA

Classified By: AIT Director Douglas H. Paal, Reason 1.4 (b/d)

1. (C) Summary: Taiwan's relationship with Southeast Asia has deteriorated as Taipei's foreign policy has alienated some governments and allowed Beijing to increase its leverage. Taiwan's Ministry of Foreign Affairs (MOFA) is trying to encourage closer economic and political ties to Southeast Asia with its "Go South Policy," but is losing influence at the hands of Beijing's proactive economic policies and growing trade ties with Southeast Asia. Southeast Asian diplomats in Taipei tell AIT that their governments are growing wary of Taiwan because of the Chen Shui-bian administration's practice of using foreign policy for political gain. They note that President Chen's eagerness to publicize Taipei's foreign policy successes and relationships with Southeast Asia for the benefit of domestic audiences has drawn the ire of Beijing. As a result, many governments in Southeast Asia - including longtime supporter Singapore - view their relationship with Taiwan as a liability and have distanced themselves from Taipei in favor of the PRC. Furthermore, Taiwan's inability to formulate a viable strategy to deal with the region has allowed Beijing to expand its influence almost unchallenged and resulted in lost opportunities for Taiwan to advance its standing in Southeast Asia. End summary.

Taiwan's "Go South" Policy

2. (C) The cornerstone of MOFA's foreign policy in Southeast Asia is Taipei's "Go South Policy," which is designed to promote closer economic ties to counter the region's increasing economic tilt towards Beijing. MOFA's Section Chief for Southeast Asian Affairs, Andrew Lee, told AIT that MOFA believes the best way to improve relations with Southeast Asia is to have good economic relations. Lee asserted that MOFA's strategy is to gradually build commercial ties and use economics as a catalyst for improved relations and possibly a political relationship. Vietnam, he explained, is MOFA's main focus in its "Go South Policy" because Hanoi has shown some flexibility towards Taiwan. Convinced of Vietnam's economic growth potential, Taiwan has become one of Hanoi's top foreign investors.

3. (C) Lee told AIT that MOFA plans to continue the "Go South" policy and broaden it to include other nations in Southeast Asia, as well as Australia and New Zealand. He said that MOFA's Southeast Asia strategy is flexible and tailored to the circumstances of each country in the region. Every two years MOFA will reevaluate policies to determine their effectiveness. For example, Lee told AIT that MOFA needs to focus more resources on Malaysia because Kuala Lumpur is reluctant to deal with Taipei. However, Lee remarked that his superiors have not yet given him authorization to engage Malaysia and that MOFA has no plans to expend resources on Kuala Lumpur. Lee believes that Taipei can offer Malaysia a lot, particularly in the IT and high-tech arena. Lee, however, privately expressed considerable frustration at Taipei's lack of focus on some countries in the region and a failed strategy to counter Beijing.

Little Success Countering Beijing

4. (C) Taipei has had little success with its "Go South" policy in combating Beijing's growing economic influence and political ties to Southeast Asia. Vietnam's Economic and Cultural Office in Taipei Deputy Director, Le Hong Nguyen, told AIT that Vietnam's relationship with the PRC is far more important than Taiwan and that Hanoi is not willing to jeopardize this relationship. While Le did not discount Taiwan's investments in Vietnam, he said that Hanoi has excellent relations with Beijing and nothing Taiwan does will change that relationship. When asked about the future of Vietnam's relations with Taiwan, Le admitted that it is hard to predict since Hanoi believes Beijing is essential to Vietnam's future development. Le's strong statements about the importance of the PRC to Vietnam directly contradicted the assertions of MOFA's Lee that Vietnam is the foundation of Taipei's "Go South" policy and a success story for Taiwan.

5. (C) Thailand's Trade and Economic Office Deputy Director,

Benjamas Tanvetyanont, told AIT that Beijing has considerable influence among Thai government officials and corporate leaders, and that Bangkok's policies are not focused towards Taipei. Tanvetyanont also said that Bangkok has agreed to a FTA with Beijing and expects economic ties to continue to grow. MOFA's Lee echoed Tanvetyanont, explaining that Taipei's relations with Bangkok are not particularly close because the Thai economy is relatively developed and has little to gain from Taiwan's economy. Lee also noted that Thai Prime Minister Thaksin Shinawatra has close personal ties to the PRC through his vast business interests and that Thai Foreign Minister Kantathi Suphamongkhon, with one eye on the UN Secretary-General position, does not want to alienate the PRC in hopes Beijing will support his bid.

16. (C) Malaysia has largely avoided ties with Taiwan and is focused on Beijing. Unlike other Southeast Asian nations, Kuala Lumpur does not operate a full time trade office in Taipei. In response to AIT's request for a meeting, the Malaysian trade office in Taipei replied that there would be no personnel staffing the office for almost two months and that office is only staffed part-time. Taiwan's relationship with smaller less developed nations is also suffering at the hands of Beijing. MOFA's Lee told AIT that trade with Cambodia is declining because of a poor investment climate and Phnom Penh's close relationship with the PRC.

Also Hurt By Chen's Foreign Policy

17. (C) Taipei's desire for better ties with Southeast Asia is also being hindered by the Chen administration's practice of publicizing Taipei's foreign policy for quick domestic political gains. Thailand's Tanvetyanont told AIT that Bangkok has had many problems with Taipei's efforts to publicize the Taiwan-Thailand relationship. Tanvetyanont explained that Thailand is very close to the PRC and Bangkok cannot afford to anger Beijing. She added that Taipei is always trying to get high-level visits to Thailand and added that if Taiwan officials were allowed to visit, Taipei would have a huge press conference the next day announcing the visit, which would harm Bangkok-Beijing ties. The Chen administration, Tanvetyanont lamented, cannot keep relationships quiet, and Bangkok cannot trust Taipei because Taiwan will promise silence, but then inflame the situation with a press conference.

18. (C) The Chen administration's foreign policy strategy and tactics have had the most serious consequences for Taipei's relationship with Singapore, long Taiwan's strongest supporter in the region. Both MOFA's Lee and Singapore's Representative in Taipei, Ker Sin Tze, told AIT that historically Singapore has been one of Taiwan's closest allies. However, since President Chen came to power in 2000, the relationship has soured as Singapore has distanced itself from Taipei and looked to the PRC for improved political and economic ties. Ker added that there is little sympathy for Taiwan among both Singapore government officials and public, and that Singapore's government has been burned too many times by the Chen administration. He highlighted Chen's 2002 visit to Singapore that was supposed to be a discreet and low-key. Instead, Chen publicly announced the visit and trumpeted it as a diplomatic victory, causing a very bad period for PRC-Singapore relations. Ker explained to AIT that the DPP's independence platform and opposition to a one-China framework is making the situation worse because Singapore and the rest of the region want stable cross-Straits ties.

19. (C) Singapore Prime Minister Lee Hsien-loong's visit to Taiwan in July 2004 also damaged Singapore's relationship with Taiwan and left Singapore disappointed with Taipei's cross-Straits policies. According to Singaporean officials in Taipei, Singapore went to considerable trouble to arrange the visit while Lee was still Deputy Prime Minister and had high hopes the visit would energize the Singapore-Taiwan relationship. Instead, Lee found President Chen and the DPP focused too much on tactics with the PRC and eager to leak the details of their meetings to the press. Lee returned home to Singapore unimpressed and under considerable pressure from Beijing. Singaporean frustration over the visit and Beijing pressure on Singapore in its aftermath laid the ground work for a falling out between Taiwan and Singapore over Taiwan Foreign Minister Mark Chen and Singapore Foreign Minister George Yeo in September 2004.

10. (C) Dr. Eric Teo from the Singapore Institute of International Affairs (SIIA) highlighted this fallout, over a rude public insult directed at Singapore by Taiwan Foreign Minister Mark Chen, as an important factor in the precipitous reduction of the relationship. Chen's comments were in response to Singapore Foreign Minister George Yeo's comments during a UN speech that urged President Chen to pursue moderate cross-Straits policies. Teo called Foreign Minister Chen's response a disgrace and said the remarks permanently damaged Taipei's relationship with Singapore. He also

characterized the episode as a good example of the reality of Chen's foreign policy towards the Association of Southeast Asian Nations (ASEAN). Even MOFA's Lee admitted to AIT that Singapore has expressed desire for a more discreet, quiet relationship with Taiwan and he privately acknowledged to AIT that, in his mind, Singapore is being both smart and practical. Singapore, he concluded, is shrewdly focused on doing what is best for its national interests in the long run. (Comment: Lee's clear intent was to imply that, by contrast, Taiwan is not so shrewdly focused. End comment).

Taiwan's Lost Opportunities

11. (C) Southeast Asian diplomats and experts assess that Taiwan's Southeast Asia foreign policy has largely served Beijing's interests and resulted in lost opportunities for Taiwan. Singapore's Senior Assistant Trade Representative, Elenore Kang, told AIT that Taiwan's foreign policy towards Southeast Asia has greatly benefited the PRC and allowed Beijing to bring ASEAN into the PRC's sphere of influence. Moreover, Kang said that Taipei's inept foreign policy in the region has lost opportunities for Taiwan to combat Beijing's growing prowess. For example, she highlighted Taiwan's botched opportunity for an FTA with Singapore. According to Kang, Singapore proposed the idea of an FTA with Taiwan in 2000, however, Taiwan officials never made a sincere effort to reach a deal. She said once an FTA framework was reached among ASEAN nations, of which Taiwan is not a member, Taipei's opportunity for an FTA with Singapore and possibly other ASEAN nations was lost.

12. (C) Dr. Teo from SIIA agreed with Kang, arguing that the Chen administration's ASEAN strategy is nonexistent and has only worsened Taipei's standing in the region. Both Teo and Singapore's Ker characterized the ASEAN FTA as the centerpiece of the region's future economic strategy. Teo said that Taiwan has mishandled its dealings with ASEAN and lost a golden opportunity to play a role in ASEAN and advance its diplomatic position. Instead, Teo told AIT that the PRC should give the Chen administration a "gold medal" for its policies that have made ASEAN nations wary of Taiwan and pushed them further into the PRC's orbit. Teo said that the prospect for an FTA and improved relations with ASEAN is now a "lost cause" for Taiwan. He asserted to AIT that the majority of Taipei's MOFA officials are exasperated and embarrassed by the Chen administration's tactics.

Comment: A Bleak Future

13. (C) The damage to Taipei's closest relationship in the region, Singapore, should be a wake-up call for the Chen administration. ASEAN nations view the Chen administration as a liability and are wary of close relations with Taiwan in order to maintain good relations with Beijing. President Chen and the DPP's tactics of using foreign policy for domestic political gain have alienated most Southeast Asian governments and left them little choice except to look to Beijing at Taiwan's expense. Southeast Asia is another example that Taiwan lacks an effective foreign policy strategy to counter the PRC's efforts to isolate it. As long as Taipei continues its public, vocal, and domestic politics-driven foreign policy toward the nations of Southeast Asia, its standing in the region will be increasingly marginal and irrelevant.

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